

CQ CONGRESSIONAL TRANSCRIPTS

Congressional Hearings

July 22, 2010

House Armed Services Committee Holds Hearing on Managing the Defense Department in a Time of Tight Budgets

LIST OF PANEL MEMBERS AND WITNESSES

SKELTON:

Good morning, ladies and gentlemen. We welcome you to today's hearing on managing the Department of Defense in a time of tight budgets. Our hearing continues the committee's aggressive efforts to protect taxpayers at the same time we protect the troops and ensure our national security.

This discussion is very timely. First, consider the budget. Much to its credit, the Obama administration this year delivered a budget with real growth in defense spending. However, the rate of this growth will not support all the spending practices which have arisen over the last 12 years, during which the defense budget more than doubled. Furthermore, the significant federal deficit will make continued real growth in the defense budget a challenge. Second, consider the Department of Defense management challenge. As illustrated in the top-secret America series of articles in this week's Washington Post, the growth in contractors and government offices devoted to fighting terrorism since 9/11 is staggering. Most of this growth has occurred within Department of Defense, though much of it falls in the area of intelligence.

But a (inaudible) at Department of Defense was eliminated to make way for the new growth. Instead, the department has grown bigger.

Managing all this is exactly the job Congress assigned to the department's chief management officer, a job currently filled by Deputy Secretary of Defense, Bill Lynn. And while Secretary Lynn could not be with us today, much to my regret, we have an excellent panel of witnesses with us.

Beth McGrath, deputy chief management officer of the Department of Defense; Joe Westphal, undersecretary of the Army; Robert Work, undersecretary of the Navy; and one-time staff director of this committee, one who has done a wonderful job here and is doing a wonderful job for the Air Force, Erin Conaton, the undersecretary of the Air Force. We welcome you back.

CONATON:

Thank you, Mr. Chairman.

SKELTON:

Undersecretaries were designated by Congress to serve as chief management officers of their respective departments. Now, I've asked these witnesses to update the committee on exactly how they're creating the tools, the structures and the systems necessary to manage the largest, most complex institution in the world. I've asked them to focus on a few issues in particular. Congress has mandated that the department must, as long last, get its finances in order and be ready for an independent audit by 2017.

Will the department comply with the law? What progress has been made? The department has asked and received from Congress billions of dollars to modernize its business systems over the past 10 years.

What do we have to show for this investment? Do we now have the kind of management information about our business operations that we need? When will we get there?

Last, the committee has followed with great interest the efficiency initiative announced by Secretary Gates on May the 8th at the Eisenhower Library. We want to know how this initiative will work, when the department intends to share its findings with Congress.

This committee stands foursquare behind efficiency. At the same time, we want to ensure that major budget decisions are well considered. We should not attempt to find efficiencies through the kind of mindless across-the-board cuts that President Obama campaigned against.

For my own part, I will note loud and clear that I am not for cutting the defense budget at this time. My understanding is that the secretary's efficiency initiative is not about cutting the budget, but I look forward to hearing more about exactly how this initiative is designed to work.

I'd like to also mention the fact that this committee successfully passed legislation regarding major weapons systems last year, Rob Andrews, Mike Conaway, and in the panel, and its purpose was to reform the acquisitions system of major weapons systems. And this committee is to be congratulated on, as well as those two leaders.

Also, we passed out and passed on the floor acquisition reform, and it is pending in the Senate and hopefully will be taken up with our defense bill that we have passed and sent to the Senate. This is the efficiency we have already stepped up to the plate and passed.

So with that in mind, (inaudible) my colleague, my friend, the gentleman from California, Buck McKeon.

MCKEON:

Thank you, Mr. Chairman, and good morning.

I'd like to thank our witnesses, all of you, for being here today. It's unfortunate that Secretary Lynn could not also join us. As both the deputy secretary and chief management officer for the department, not to mention his role in helping to craft Secretary Gates' efficiencies initiative, it would have been valuable for the committee to hear from him at a hearing specifically dedicated to the Pentagon's management.

As well, given that the formal responsibilities for CMO are still relatively new for the deputy secretary, we were also interested in his observations about that construct and his ability to balance his policy and management portfolios.

With that said, we're grateful to have with us the deputy chief management officer, Ms. Beth McGrath, whose full-time job is to improve the department's management. I know Ms. McGrath has testified before this committee in the past, but I believe this is our first opportunity to have all of the undersecretaries, and I welcome all of you here.

Given the important role that each of you play in serving as the chief management officer of your respected departments, I look forward to the chance to discuss the various management challenges you face and your plans for mitigating risk to DOD's operations while improving efficiency.

Secretary Conaton -- notice how that just rolls off -- Erin -- I know I echo the chairman's sentiments when I tell you how pleased we are to see you again. Welcome home, so to speak.

This is a timely hearing. Although the GAO and others have identified a series of persistent management risk areas for DOD, the department faces a looming management crisis in light of congressional delay in passing a clean wartime supplemental spending measure.

The Senate passed its version of the appropriations bill in May, but the House failed to take up either a compromised version of the bill, or the Senate-passed bill, before the July 4th recess. Instead, the House amended the Senate bill by adding extraneous domestic spending and returned it to the Senate. Secretary Gates made it clear that, if the supplemental was not enacted by July 4th, the department would have to begin to curtail defense operations.

I know the chairman shares my conviction that the men and women in uniform operating in harm's way in Afghanistan and Iraq deserve better. Therefore, it's critical that we hear from each of you regarding the impacts this delay will have within your departments and how you intend to manage the risk to ongoing operations.

Lastly, it should come as no surprise that we're interested to learn more specifics about how the services are implementing Secretary Gates' call for further efficiencies. While no one would argue against reducing waste or needless overhead, it remains unclear whether or not the department can find \$100 billion in prudent savings over the next five years simply from efficiencies.

In his May 8th speech at the Eisenhower Library, Secretary Gates stated, "The goal is to cut our overhead costs and to transfer those savings to force structure and modernization within the

programmed budget." I support his intent to ensure that we do not accept a peace dividend that will hollow out our force structure and curtail modernization.

What gives me pause, however, is that, according to Deputy Secretary Lynn, the plan calls for a third of this money, about \$33.3 billion, to come from, and I quote, "Developing efficiencies within the force structure and modernization accounts." So I want to make sure that we understand the plan. In order to protect force structure and modernization, we intend to cut force structure and modernization accounts? I hope that you'll clarify that for me.

Likewise, press reports indicate that funding may not go directly to these investment accounts, and senior officials have been recently quoted as forecasting gradual drawdown in the investment accounts.

I know our witnesses are unlikely to reveal planned cuts for future fiscal years, but I hope that you'll provide greater details regarding the process you're using to identify both the puts and takes and what measures, besides funding cuts, could generate savings, for example, what steps are you taking to improve your financial management and accountability.

We look forward to your responses. And again, thank you for your time at this critical juncture.

Mr. Chairman, I yield back.

SKELTON:

Thank the gentleman. Thank you for your comments.

Now for the witnesses, and we, again, welcome each of you for this very, very important hearing.

Elizabeth McGrath, you're on.

MCGRATH:

Sir, thank you, and good morning.

Chairman Skelton, Congressman McKeon, members of the committee, thank you for the opportunity to discuss the Department of Defense's efforts to improve its business operations.

It's a pleasure to appear before you with my military department chief management officer counterparts. We look forward to continuing our work with you as we strive for greater efficiency, increased effectiveness, and additional agility within the department.

While the department has always worked to improve the efficiency and effectiveness of its business operations, the imperative to achieve lasting results in (ph) the engagement of senior department leadership have never been greater.

Secretary Gates and Secretary Lynn have clearly articulated the pressing need for reform. Today, I'd like to share with you our overarching management reform efforts, as well as some recent successes. Our approach emphasizes improving our ability to assess execution through performance management to develop mechanisms to ensure leadership accountability and to make needed changes to the way we procure information technology.

In each of these areas, we rely heavily on the tools that Congress has provided us through the last several National Defense Authorization Acts. I'll review with you our efforts in the areas of strategy, governance, process improvement, information technology.

The department has developed an integrated enterprise-wide business strategy to guide our transformation efforts. This strategic management plan aligns the planning and execution documents that exist throughout the enterprise. The plan identifies five cross-functional enterprise-wide business priorities, each with specific outcomes, goals, measures, and key initiatives that are critical for success. They are to support the all-volunteer force, to support contingency operations, reform the DOD acquisition process and support processes, enhance civilian workforce, and strengthen financial management.

Of particular interest for today's hearing may be the department's efforts to improve financial management and move toward audit readiness. We have developed a plan that focuses on improving the quality of information that we use. By strengthening those processes that execute the dollars Congress provides to us, we also unite the enterprise around an effort that will benefit everyone, but also requires collaboration and support across the defense enterprise.

We have also established long-term and near-term goals for audit readiness, provided programmed resources in establishing governance structure that includes the DCMO.

Successful strategies rely on an effective management framework. This area of governance includes the creation of the chief management officer, deputy chief management officer, and military department CMO positions.

We recognize the committee's priorities include areas that have been designated as high risk by the Government Accountability Office. We share your focus on reducing such risk in working across the department and the executive branch to address these challenges with the shared goals of removing items from that list.

Personnel and security clearances is a good example of where we have made significant progress. In 2005, the average time for the fastest 90 percent of initial clearances took 265 days. Today, that number is below 60.

Additionally, in 2006, the backlog of pending clearance investigations stood at almost 1,000 cases. Today, that backlog is gone.

Speed without quality may result in wrong outcome. Therefore, we have actively engaged GAO to exchange ideas regarding quality performance measures for clearance investigations and adjudications.

Collectively, we believe the quality measures being developed identify specific quantifiable targets linked to goals. This type of engagement is critical to addressing and eliminating high risk issues.

As the committee knows, information technology is the key enabler of our business operations in an area with potential for major improvements. One of the deputy's highest management priorities is improving the acquisition and development and fielding of IT systems.

Our current approach to implementing IT takes too long, costs too much, and often fails to deliver the performance improvements we seek. On average, it takes 81 months in DOD from when an IT program is first funded to when it is fielded. We often deliver systems that are outdated before we ever turn them on.

In contrast, the iPhone took two years from concept to delivery. It is clear we need a different approach.

To that end, Secretary Lynn has established an IT acquisition reform task force guided by four principles: speed, incremental development, governance and adaptability. We need to match the acquisition process to the technology development cycle. We must also acknowledge the incremental development testing wherever possible in fielding of new capabilities to provide better outcomes in IT than trying to deploy a big-bang approach.

We must carefully examine how our requirements govern the acquisition. We must recognize that different IT applications demand different levels of oversight and enterprise integration. With these principles in mind, we are working to outline a series of acquisition tasks (ph) that apply high levels of institutional due diligence where it is needed and strip away excess requirements where it is not.

Focusing on business operations at the Department of Defense is an area of great immediate interest to our senior leadership, as well as an area of serious activity and concerted efforts. We are on the way to creating better business processes that would create the kind of lasting results our country deserves. My CMO counterparts and I look forward to the continued opportunities to work with Congress to optimize performance across the department.

Thank you, and I look forward to your questions.

SKELTON:

Thank you very much.

The Honorable Joe Westphal.

WESTPHAL:

Mr. Chairman, thank you. Ranking Member McKeon, thank you, distinguished members of the committee.

I'd like to ask, Mr. Chairman, that my statement be made part of the record. And I just want to make a couple of brief points.

SKELTON:

Without objection, each prepared statement will be made part of the record. Thank you.

WESTPHAL:

Thank you, Mr. Chairman.

Just want to make a couple of brief points. The first is to bring you greetings from John McHugh, Secretary of the Army. I was with him this morning, and he really regrets not being invited to this hearing. But he's thankful that Erin Conaton is here, and that he figures he couldn't compete against her today.

Mr. Chairman, members of the committee, you know, I think we're all going to be very repetitive in saying to you -- in stating to you over and over how grateful I think we all are at the great care and support that you give our sailors, marines, soldiers and airmen, their families and our civilian workforces.

As some of you know, Mr. Chairman, I worked in this great institution many years ago, and we know fully well how challenged you are to make so many decisions across everything from social programs to national security. But we do know and understand that you know the great sacrifices that our men and women in uniform and their families make in support of our national defense and our freedoms and our protections on our way of life every single day. And your steadfast support is well known and highly respected by all of us.

And so, I commit to you that we in the Army will do our part to ensure that that support that we have from you is not diminished. So we will increase our efforts to generate savings, reduce cost, enhance performance, and create efficiencies.

Our soldiers' ability to complete the mission depends on it. Their families depend on it. Secretary of defense and the president demand it. And as a chief management officer, this is my focus.

My two great colleagues to my left here and I are doing something really unprecedented, having been in the department before. This is the first time, I think, that you have the three undersecretaries, known only now as chief management officers, but in their role as undersecretaries as well, collaborating on a regular basis to exchange ideas. We meet regularly to find ways to make joint efforts work better and create greater efficiency.

So your designation of us as chief management officers have actually created a great opportunity for our military departments to be more co-joined and work together on a regular basis.

We're also very closely aligned with OSC, and especially through the deputy chief management officer, Ms. Beth McGrath. Her experience, her leadership, her knowledge of these issues is helping us immensely to get ourselves coordinated so that we're aligned not only horizontally, but we're aligned vertically within the department.

Finally, Mr. Chairman, on March 1st, the Army submitted a report to the committee on our business transformation. It was an attempt to give you an idea of what we were working on to put together our business transformation plan, which we intend to deliver promptly and on time to you on October 1st of this year.

So with that, I thank you again for your tireless efforts in support of our armed services and our Army.

Thank you, Mr. Chairman.

SKELTON:

Thank you very much.

Robert Work?

WORK:

Thank you, Mr. Chairman.

Mr. Chairman, Congressman McKeon, distinguished members of the committee, it really is an honor. I'll echo both Joe and Beth's sentiments that to be with you here today with the other undersecretaries, and with Beth to talk to you about our plans to continue improvement within the Department of the Navy.

I'd also like to echo Joe's thanks to the committee. After nine years of war, your support has just been instrumental to allowing us to maintain the Marine Corps and the Navy to the high level that we have today. So on behalf of Secretary Mabus and I, I'd like to echo Joe's thanks.

And Secretary Mabus and I and the entire department look forward to future collaboration with you on the committee as we partner to achieve these enduring transformation objectives that you have set out for us.

I spent a lot of time trying to divine the intent of the chief management officer position. And as I see it, the committee and Congress envisions this role to be the leader of transformation across the department enterprise. And I also believe that you thought that business operations was a subset of management, and management extends across the entire Department of the Navy and in both the Marine Corps and the Navy itself.

So we're looking beyond the business side of the enterprise, and we intend to apply the same type of rigor that I think that you are looking for in not only business operations but weapons systems and other programs across the department.

Secretary Mabus is interested not only in making the trains run on time, but on making the trains run to different places. And we believe that that was your intent.

Our goal is to establish, then, a legacy of transformation in the Department of the Navy, instill a culture of business innovation and ingenuity, and codify the role of the chief management officer and the deputy chief management officer within the department.

We also are looking very hard at having the proper government form, so our business transformation council is the way we do this. That is chaired by myself, the assistant commandant of the Marine Corps, and the vice chairman, because we have found, in the last year -- and this just reinforces a long-known code -- that you have to get both the secretary and the service staffs really invested into business transformation or you're not going to be able to have any lasting change.

So we have the war fighters and the assistant secretary of the Navy embedded in this process from the very beginning. We're also trying to strengthen our deputy chief management officer position. Also, we are doing consolidations within the secretariat to align us better with the business operations that Beth pointed out to you.

We're really focused on business processes, but we are very, very focused on achieving a fully auditable financial statements by 2017. We actually are hopeful we will beat that timeline. Implementing ERP across the department, really spending a lot of time on acquisition and contracting excellence, following the lines of what Secretary Carter set out a week ago, and really trying to improve energy efficiencies across the department.

So in closing, we very much appreciate the legislation that Congress has enacted, which really allows us to delve deep and to go into reengineering of our processes in implementing transformational change. We recognize that this is going to be challenging and difficult, but we're committed to working with you to effect this change.

We definitely do want to foster the business transformation. We need to efficiently and effectively support the Navy and the Marine Corps and our civilians. And I thank you again very much for your continued support, and I look forward to working with all of you in the future.

I would be happy to answer your questions after the completion of our statements.

SKELTON:

Thank you very much.

The Honorable Erin Conaton, please.

CONATON:

Thank you, Mr. Chairman, Mr. McKeon, members of the committee. Given everything that my colleagues have already said, I'll try to be brief and just echo the high points. But let me start by saying it's really nice to be back in this room. I'm convincing myself this is just markup, you know? I'm just sitting at the table, just like markup.

But it's great to see you and all my former staff colleagues in the room here. I also, as long as I'm in the thanking mode, want to thank my colleagues at this table not only for the partnership that Secretary Westphal talked about in terms of our ongoing interactions, but I'm very much the new kid on the block.

I've only been in the job a couple months, and these folks who've been outstanding in terms of not only partnering but lending the benefit of their expertise in the department over the period of time that they've been there. So I thank them for that.

CONATON:

I think I have to start the same way they did, by acknowledging the work that this committee has done in numerous National Defense Authorization acts and in the Weapons System Acquisition Reform Act. Your work has had tremendous impact in the department, and it's hard for me to think of a week going by that I'm not at a meeting where people are talking about the implementation of WSARA, what the intent of the Congress was.

So I know you know that your efforts have an impact, but if we can reinforce that, I am happy to have the opportunity to do so.

Like my colleagues, I would say that the chief management officer construct relies on strong leadership from the top. And so, the fact that we have secretaries and chiefs of our respective services who are committed not only to making this organizational construct work but also to help further the business transformation objectives that we're working on, makes a big deal.

The other thing I would say is that all of us put mission first. So this is about the work that our soldiers, sailors, airmen and Marines are out there doing every day, and business transformation can't be separate from that. It has to be very much (inaudible). It's what we're asking service members and our civilian workforce to do on a regular basis.

And so, as I've been thinking about the chief management officer job, I think, first, what's the mission that we're asking, in our case, our airmen to do, and then how do we get processes and systems that help support that.

So I think whether it's with the business transformation plans that you all have required or in our own thinking as chief management officers, it's important to align our business objectives with what the service or the department, in Ms. McGrath's case, is doing overall.

We in the Air Force have a similar construct, I think, to what Secretary Work talked about, which is that we have an overall governance structure called the Air Force Council. It's how we make our budget decisions every year. It's how we adjudicate policy debates that are occurring inside the service.

And it's also the group that we're using for governance of overall business transformation and the efficiencies initiative. It's critical that all of the folks who are working, whether it be our assistant secretaries or the deputy chiefs of staff on the air staff side, are invested in and committed to working these efforts.

Once we get that done, then I think we can focus on the goals of -- on the business side of the house. We obviously have a couple large information technology programs that I'd be happy to talk about if you want to get into that. We too are very focused on the efforts led by this committee on getting a clean audit in the FY '17 timeframe and doing everything we can to do that as soon as possible.

And on the efficiency side, we are partners with the rest of my colleagues in trying to find a way to -- again, mission first -- get as much money and capability into the force structure modernization and readiness sides of the account. And I think that is what is motivating the work that Secretary Gates has put forward, and it's certainly motivating the work that Secretary Donnelly and General Schwartz are undertaking for the Air Force.

So with that, I will turn it back to the chairman and just say thank you, again, for the opportunity to come home.

SKELTON:

Thank you very much. It's great to have you back.

Mr. Work, the spotlight has been on some shipbuilding. On the one hand, we have the USS Missouri, Virginia attack submarine being commissioned later this month, which, by the way, is in the district of Congressman Joe Courtney, ahead of schedule and under budget.

Compare that to the problems that you've been having with the littoral combat ship effort, the excessive overruns. Add to that the reform legislation that we passed from this committee, and then it became law. Will the legislation that we authored be of help in making the shipbuilding more like what's going on in Groton, Connecticut? And if so, how, Mr. Work?

WORK:

Thank you, Mr. Chairman.

Secretary Mabus set as his number one priority, when he came aboard last year in May, in really taking a hard look at the shipbuilding. And that was followed quickly by the WSAR Act, which really kind of struck a chord within the Department of the Navy, making sure that we get the requirements absolutely right, looking for the right type of contracts, making sure that we demand performance throughout the level.

It is, of course, true, sir, that we've had problems with the LCS, but I think as the committee knows, as a result of the WSARA and also our determination to make sure that that program is right, we completely changed the acquisition strategy. And although we're not quite complete with the down-select yet, I'm quite confident in telling the committee we will definitely reach the congressional cost cap regardless of which ship is chosen.

As you said, I think we're having great success in our attack submarine program, on our TAKEs that are being built at NSCO (ph), and we're having good performance across the yard.

So right now, we're really focused on really making sure we get requirements right. We're doing that on the SSBN-X. And Secretary Mabus and I are committed to making sure that we get the best bang for the buck for our shipbuilding dollars.

SKELTON:

The GAO originally proposed a section deputy secretary of defense for management. Is it reasonable to expect the deputy secretary of defense to serve as the chief management officer in addition to all of his other duties?

Ms. McGrath?

MCGRATH:

Sir, thank you. The construct of the deputy chief management officer working as a day-to-day focus of the financial and other management issues, working with the other undersecretaries across the department so far has been extremely effective.

The deputy secretary spends quite a bit of his time on management and business related issues, from financial management to health, information technology, wounded warrior. A lot of his time is spent on those topics today.

So I believe the construct of the deputy secretary as the chief management officer with someone in the deputy chief management officer role, currently myself, working across the department from an OSD perspective and also with the chief management officers of the military departments thus far has proven effective.

SKELTON:

Allegedly, there will be savings identified in the effort to have efficiencies across the department. If that is the case, where do those savings go? I for one am not for cutting the defense budget. Where do they go, Ms. McGrath?

MCGRATH:

Sir, as you articulated in your opening statement, Secretary Gates has identified a call to look across the department, every aspect of the defense business and everything we do, from our support structures to our organizational construct, to see if there's a better, more efficient and effective way that we can deliver our capability.

The secretary has articulated that the military departments will keep the savings that they identify. And again, I think it was mentioned in the opening statements that we are looking to shift dollars from support to force structure and operations.

SKELTON:

Let me ask you this. Are the respective services making the necessary investments to meet the 2017 auditing mandate?

MCGRATH:

Each of the military departments' service and defense agencies' components have identified their milestones to achieve the 2017 goal of the clean audit opinion. Those are captured in the financial audit improvement report.

Financial Improvement Audit Readiness, the FIRE plan, is the document where each of the milestones for each of the components are articulated, marching toward the 2017 goal.

SKELTON:

I think it was the gentleman from Texas, Mr. Conaway, who brought it to our attention about the lack of auditing within the department and the panel's role of putting together the second initiative that we passed and is now pending in the Senate.

How did this ever happen that the department and its sub- departments were not subject to auditing, Ms. McGrath?

MCGRATH:

I'm not sure that we were given a pass from audit. I think the representatives for -- our fiduciary responsibility and our stewardship of taxpayer dollars certainly is a responsibility identified and acknowledged across the department.

I think the challenge in actually delivering a auditable financial statement has many factors to it. Some of it is human capital based. Other is the fact that our financial systems today -- our financial plus our other functional feeder systems are not interoperable, which poses a huge challenge for us.

And then that it must be a department-wide function to actually achieve auditability. It cannot be viewed as just a comptroller responsibility, given that most of the information comes from other functional areas.

So I think there is a recognition within the department that we understand what we need to do from a departmental perspective, that we do have a plan in place with goals and milestones. We have appropriate governance that reaches horizontally and vertically in the department. And without those, we would not be able to achieve that, and I believe we are positioned to do that today.

SKELTON:

Mr. McKeon?

MCKEON:

Thank you, Mr. Chairman.

As I alluded to on my opening statement, I remain particularly concerned about the steps the Department of Defense is having to take to manage its finances in lieu of passage of the 2010 wartime supplemental appropriation. Secretary Gates has told us that, if we don't have it enacted by July 4th, stupid things would begin to happen.

I'd like to ask each of the witnesses to address the following: what specific steps are you having to take now to avoid running out of money? Please describe the overall risk and the impacts these steps will have to ongoing operations, routine business, the military and civilian workforce, training, other important parts of the responsibilities that you have.

And when specifically will each of your departments run out of money? When will you be unable to provide cash flow? What are the additional consequences of your departments, and the Defense Department as a whole, should Congress fail to pass a clean supplemental before the August recess, which starts after next week? Please?

WESTPHAL:

For the Army, the consequences are pretty significant. I think the secretary is right. This is very, very important that, before you leave in recess, we have the supplemental approved.

We have been fronting some of the resources from our O&M accounts to ensure that all operational requirements are kept fully funded, and we continue to do that. We expect some reprogramming. We've prepared in anticipation of this some potentially reprogramming requests. We hope that they're not going to have to be exercised and the supplemental will be passed.

To your question specifically, you know, we will run out of money about the middle of August for some of these functions in our O&M accounts. And so, we will have to begin to take steps to ensure that we, first of all, continue to support fully all the operational requirements.

I don't think we're going to have any issues with that, but we will have to make some decisions in terms of our O&M functions, particularly OCONUS here -- CONUS, not OCONUS -- that may have some impact. And that depends on how quickly you can get back and pass a supplemental after that.

And if we get those reprogramming requests done, that may help us to weather that storm through the period of time during recess.

WORK:

Sir, from the Department of Navy perspective, failure to pass a supplemental before the recess would really essentially hamstring the department's operations for the remainder of this year and significantly disrupt operations within the department.

Our analysis is the same as Secretary Westphal's, that we would run out of money for civilians probably around the mid of August and have to start furloughing civilians in large numbers. We think we would run out of money to pay active duty members some time in the mid September to late September time frame, and that's not even accounting for all of the movements in the O&M programs that would have to occur to make sure that we would continue wartime operations.

From our perspective, then, it would be a very great burden on the department, and the Department of Defense as a whole, and would really significantly prevent us from pursuing the job of the department and the nation.

CONATON:

Mr. McKeon, for the Air Force, it's a very similar situation as to what my other two colleagues mentioned. Certainly encourage, as quickly as possible, the passage of the supplemental.

In terms of specific dates, the Air Force runs out of O&M, Operations & Maintenance, funding to do the whole range of operational activities at the end of August, and then has military personnel accounts running out by the third week in September.

Like my colleagues, we're very hopeful that you all will be able to send something to the president prior to the August recess, but we're starting to think about what would have to be done in the event that that didn't occur, which would include things like furloughs. We may be able to do some temporary additional reprogramming, but that wouldn't buy very much time. So, very consistent with what my colleagues have said.

MCKEON:

I think it was about two months ago that we had General McChrystal here, and I asked him, same question, and he said, if it went into the summer, it would cause problems. But he had been assured it would pass before the Memorial Day break.

Now we missed that. We missed the Fourth of July break. If it were passed today, does that money immediately flow, or how soon before that money reaches you? If it were passed today by the House and today by the Senate, how long would it take for that money to actually get into your accounts?

WESTPHAL:

It would be very quick, and it would be a seamless process. We wouldn't have these effects that we all outlined today.

MCKEON:

You've already taken some steps, though.

WESTPHAL:

We have. In the Army, we have moved monies from our base into some of our operations to support those missions to keep them moving, in theater in particular. So we have addressed that issue internally. And we do that always with the permission of the Congress.

MCKEON:

So are you saying that, if we passed it today, you would have the money in your accounts next Monday?

WESTPHAL:

That technicality I don't really understand, but...

MCKEON:

Does anyone here understand that?

MCGRATH:

I think we all have an appreciation for the process, but the specific date, how many days specifically it takes to get from passage into the accounts I certainly would be -- probably take that for the record to find out how many days that would be.

But I think the message is that it is -- we believe that, if it was passed today, would be in sufficient time such that other activities would not have to be executed as the undersecretaries have articulated.

MCKEON:

Could you get that back to us...

MCGRATH:

Yes.

MCKEON:

... as quickly as you can? Today I'd like to know, if it's possible, because my concern is that there -- among some people in the House, there isn't quite the sense of urgency.

I've been given different timeframes that, even if we passed it today, it would take some time, and I'd like to know that. Obviously we're not going to pass it today, and we're not going to be in session tomorrow, so it'll be some time next week at the soonest.

And I for one thing that if it's not done, we shouldn't leave town until it's done. So I'm hopeful that we will get it done as soon as possible next week so that you don't have to take some of these steps.

I'm concerned that some things that are happening -- I know we're not going to leave the troops in harm's way without ammunition and without food and without the things that they need to carry out their mission, but I'm concerned about training or some of the other ongoing activities that take place

for the troops that will be going over there next. And I'm very concerned about getting that money there.

Yes?

WESTPHAL:

Well, just to add to what you were just saying, for example, in the Army, one of the ways we support, of course, or the way we support our ongoing missions is through what we call a generating force, which is exactly what you mentioned, it's training and readiness of our army forces here to go forward.

And of course, all the infrastructure that we have in the department is to support those missions, in any case. And there are rules, personnel rules, if -- as Secretary Conaton mentioned, if there are furloughs, there are rules about advanced notice to employees and things of that nature that we have to take into account.

And we are either passed or dangerously close to those deadlines. I'm not sure what they are. We'll get you that information, as well. But all of that causes us a great deal of concern, as you have heard from all of us.

MCKEON:

That's a concern I have. Then, after the supplemental's done, then we get to the point of talking about the defense appropriation bill, the year-end September 30th. It looks to me like we're not going to have an appropriation bill passed by September 30th, which means then we get to a CR, hopefully, so that we don't shut down the government on September 30th.

So if we get a CR, that also is disruptive with ongoing operations, is it not?

WORK:

Well, sir, we've all lived with the continuing resolutions before, so it does cause us to do choices in business that we otherwise wouldn't have to.

But if the supplemental is not passed, we would be in an emergency situation. I mean, we've already talked about this within the department, where all of the unders and all of the secretaries, we would all have to get together to try to work our way through it.

So the continuing resolution is something the department is used to handling, and we are able to handle it much better than if the supplemental isn't passed. We would consider that an emergency.

MCKEON:

Thank you very much.

SKELTON:

Thank the gentleman.

Gentleman from Mississippi, Mr. Taylor.

TAYLOR:

Thank you, Mr. Chairman. I want to thank all of our guests, but particularly Secretary Conaton for joining us today.

Secretary Westphal, I received a really disturbing e-mail from a Mississippi National Guardsman on his second deployment. It is from his dad, who is a Vietnam combat veteran, and it mentions the lack of ammunition, but, equally importantly, the lack of rollers, that this unit is doing a mine-clearing mission in Afghanistan. They do have the MRAPs. But, unlike when he served in Iraq and had a roller in front of that MRAP, he doesn't have it in Afghanistan.

Now, and this really is, to this point, that I appreciate that you're trying to save dollars where you can. But there is an inconsistency here that I don't understand.

We apparently have excess rollers in Iraq now because of the drawdown. We have the Air Force telling us that they do not need additional C-17s, but I'm told we can't get the rollers to Afghanistan because of a lack of airlift.

Now, either you have enough C-17s to get them there, or you don't. And if you don't have enough to get them there, obviously you don't have enough C-17s.

So I certainly hope this isn't a case where we're trying to save a couple of pennies and will unnecessarily lose American lives or limbs. And I would very much encourage you to look into this, because it is a matter of life and death.

Secondly, if you could comment to it, I remember, as we were losing our bases in Panama, going to visit that country on several occasions, our bases there and seeing -- having started off in local government and state government and realize that their budget's always tight.

Seen a heck of a lot of things there we should have brought home, fire trucks, bulldozers, trackhoes, backhoes, that state surplus agencies would have loved to have had, and encouraging a lot of people in the Army then to bring those things home, only to be told, well, the shipping costs don't make it worthwhile, and being particularly angry when 60 Minutes, or someone like them, ran a special showing that those bulldozers, in some instances, ended up in Havana instead of some down in Mississippi or some other state.

I visited Balad just before Christmas last year, and the colonel there told me about that he had an amnesty for people to turn in equipment. And on the amnesty day, he had a two-mile line of equipment that people had turned in that was not on the books, that had been paid for by the American taxpayer, that some clever unit commander had figured out a way to get it there because he felt like his unit needed it. And I commend those clever unit commanders for getting the things they needed.

What I don't see is an equally clever effort to get those things home. Just this week in the Transportation Committee, most of the carriers that have brought the equipment to Iraq testified before the committee that they're bringing some of that equipment out.

Most of the carriers -- no, all of the carriers testified that their ships are leaving Kuwait anywhere at 40 to 60 percent of capacity, which means that those ships are leaving Kuwait with either anywhere from 40 to 60 percent excess capacity to be bringing these things home.

Giving that, you know, money's tight, that the taxpayers paid for these things, what are you doing to incentivize unit commanders to bring these things home, even if they don't need it, that some other governmental entity may need it, or that a state or local government may need it? Because, again, we got burned when we left Panama. We got burned when we left Roosevelt Roads. How many times does the Department of Defense have to keep making the same mistakes?

WESTPHAL:

Well, actually, the two issues you raised have -- you know, specific points like that have been made by other members and by our own folks. I believe it was in late July that I was going to go to theater, go to Kuwait and then Iraq, and look specifically at the drawdown and at the movement of equipment both back to CONUS and into Afghanistan.

Now decided to do that in September to wait till after we're supposed to be down to the 50,000 level. I discussed this with General Odierno and General Webster, the ARCENT commander. I've asked the vice chief of staff, Pete Corelli, to go with me because we're doing a whole bunch of work together, the vice and I, on the management, on the acquisition side, and on the contracting side. So we're going to team up to go there and take a hard look at all these things...

TAYLOR:

Mr. Westphal, before the chairman gavel us, could you find the time to stop by and see me on those two items?

WESTPHAL:

I'll do that.

TAYLOR:

Thank you, sir.

SKELTON:

Thank the gentleman.

Mr. Bartlett? Who's next?

Mr. Forbes?

FORBES:

Thank you, Mr. Chairman.

And thank all of you for taking time to be here with us today. The title of this hearing, the chairman correctly said, was managing a budget in a time of tight budgets.

And Secretary Work, one of the things that I think every one of you would agree with is the key to that is consistency, which probably has at least two components. One is a careful selection of our priorities initially, and the second thing is the ability that we have to predict circumstances that could or would change those priorities down the road.

Now, we have a number of different major opportunities to both sit those priorities and look at circumstances that could change them. One of the big ones is BRAC, where we just bring everybody together and we say, "What are our priorities," and we look at that. The other one, of course, is the QDR.

And I'm particularly concerned, because in the last BRAC we had this huge laydown we had, looking at priorities and where we were, in BRAC of 2005, and also in the QDR of 2006. There wasn't a blip on the screen about home-porting a carrier in Mayport, Florida.

My good friend from Mississippi mentioned saving a couple of pennies. This isn't a couple of pennies. This is almost a billion dollars.

Can you tell me today, what were -- and I know the priorities haven't changed because I have a memorandum from the president on June 10th where he says, for decades, the federal government has managed more real estate than necessary to effectively support its programs and missions, and he says we need to take immediate steps to better use the remaining real estate assets that we have.

Can you tell me what were the circumstances that changed between BRAC 2005 and the QDR and 2006 and the QDR in 2010 which would lead the Navy to want to home-port a carrier in Mayport in the

QDR in 2010 when it didn't raise that at all in BRAC 2005 or 2006? And then, why was it that we didn't have the capabilities of predicting that change in BRAC in 2005 and the QDR in 2006?

WORK:

Well, thank you, sir.

As you know, this has been an issue that the Department of the Navy has been examining for quite some time. Essentially, we believe in efficiencies. We believe in establishing priorities, and we also believe in using our real estate wisely.

As you know, Mayport has long been a carrier port.

FORBES:

Yes. And Mr. Work, again, just because I've got a limited amount of time, I want you to have all the time you need, but I just want the change in circumstances between BRAC 2005, the QDR in 2006, and the QDR in 2010.

WORK:

All right, sir.

BRAC 2005 really was focused on closing properties. In this instance, we're maintaining the property at Mayport, the base, which is going to house a lot of our surface combatants, and we want to make a carrier home port for a nuclear carrier.

So the movement from BRAC to the QDR, which looked at the strategic rationale on doing that...

FORBES:

But didn't you have that same strategic rationale in the QDR in 2006?

WORK:

Sir, I'd have to go back and see exactly what the 2006...

FORBES:

Is there a difference in rationale we have on any QDR? Don't -- we always looking at the same basic criteria in our QDRs?

WORK:

Yes and no, sir. We have the basic priorities set, but we look at our posture, both in the United States and globally...

FORBES:

Can you do this for me? Would you just get back to me in writing on the exact changes between -- that happened between BRAC 2005, the QDR in 2006, and that QDR in 2010 and why we couldn't have predicted those and raised them in the BRAC 2005 and 2006?

And I've got one other question that you can either answer now and get back to me. Chairman asked, "Will the department comply with the law." Can you give us a comfort level that we will have the law complied when, a year ago, we had in the statute a requirement for a shipbuilding plan and an aviation plant that we -- sent to us by the department? Not only was the statute not complied with, but when we had a congressional inquiry that was unanimously agreed upon by this committee, there was not even an explanation of why that wasn't complied with.

How do we have comfort that you're going to comply with the law down the road if we didn't get a compliance with that statute?

WORK:

Well, sir, I know I can speak with Secretary Mabus. Both he and I are -- we will comply with every law that we can. We also respond to guidance from the secretary of defense. And in the case of last year, the secretary of defense, I think quite rightfully said, because of the difficulties we were having in shipbuilding, that we would move that up and have the deputy secretary sign it out.

FORBES:

My time is up. The only thing I would say is, I hope that we don't come back on the audits and say that, because of the difficulties we have in complying with the audits, we're not going to do them.

And Mr. Chairman, I yield back the balance of my time.

SKELTON:

Thank the gentleman.

Dr. Snyder?

SNYDER:

Thank you, Mr. Chairman, and thank you for holding this hearing.

Just wanted to make an introductory comment. I appreciate the leadership of both Mr. Skelton and Mr. McKeon on the issue of the supplemental. I guess our most junior member here is Mr. Crites, but from the most senior to the most junior member, we agree with you. We need to get this supplemental passed sooner rather than later. And I think your candor this morning helps that.

I'm always struck by these kinds of hearings in which the goal is to help American taxpayers save hundreds of billions of dollars. It always strikes me like a junior high sex education class. It should be really exciting, but it turns out it's not.

But I want to -- Secretary Conaton, I think I will direct my questions to you since we have Little Rock Air Force Base in my district. Help me understand -- and I've read through the statements and all, and we can get bogged down in kind of the jargon of business transformation, those kinds of things. But let me give you a couple examples and just how you put them in the context of what you're trying to do.

We have a military construction project that's about finished at the Little Rock Air Force Base. It's outside the perimeter. It's an education center where Arkansas State University offers classes, and some of the institutions that offer classes around the country offer classes there for both military personnel and civilian personnel from the community.

Several years ago, the city of Jacksonville passed a millage on themselves, raised \$5 million to donate to the military to help in the construction of the facility. But the only way we were able to get that done was to do it as an earmark in the defense bill because it was like the Air Force wasn't agile enough to figure out a way to accept \$5 million of local dollars. So my question is, where does that -- why don't we have that kind of agility?

Another issue is on the -- and this is where Congress gets involved. Have we given you the kind of flexibility you need in the terms of the retirement of old planes? I think we're doing OK with E model C-130s. I'm not so sure we're doing so well with C-5s and some of the others.

And finally, any kind of update you can give on the aviation modernization program with regard to C-130s. But use those examples and explain how that fits into what you all are trying to do.

CONATON:

Thank you, Dr. Snyder. I'm not familiar with the specifics in this instance with Little Rock, but let me speak more generally to agility.

I guess where I would start is -- and I knew this going into the job, but it's remarkable how large these organizations are and how diffuse responsibilities are. But to that end, I think, as we've started to think about Secretary Gates's mandate on efficiencies, one of the things we've done, and I suspect my colleagues have done something similar, is to engage not only our major command commanders, so folks who are not in Washington, who are out in command and with responsibility for our numbered air forces, to get their perspective and to get their views of how we can do things better.

Because I think there's often a Washington perspective, and those who are elsewhere in the country and who have a more operational day- to-day focus we have to take those views on. So from my perspective, increasing agility is one piece of the larger perspective that we've got on doing our work better and, in the process, freeing up resources that can be put toward modernization and force structure.

On the issue of retirement of aircraft, certainly appreciate the support of the Congress in trying to ensure that, whether it's C-130s or whether it's our larger strategic airlift aircraft, that we can get the most modern planes to our units. And in many cases, that involves trying to retire some of the oldest fleets on the book to put savings into our more modern aircraft.

I think in terms of -- I think on the C-130 side that we're in good shape in terms of authorization. I know there's some language in this committee's bill that deal with some of the specific issues around National Guard C-130s, and we'll certainly work with the committee on that.

I think, as we go into next year, we may need to be in dialogue with this committee about the Title X restrictions on the size of the strategic airlift force structure dealing with C-5 and C-17 modernization. But I think that's an issue for '12, and we'd be happy to work with you all on that.

SNYDER:

I was on a live media show this morning back home, and they called us to ask about this hearing today. And one of the questions was, "What kind of message does this send to troops in the field that we're trying to," in their words, "cut defense budget?" My own view is -- well, I'll direct that to you, Secretary Work. How do you respond to that question?

WORK:

Sir, I've been the victim of many a cut drill, just a budget cut drill, and this is fundamentally different. We are trying to find efficiencies to actually help the Marine and the soldier in the field, and to help the airmen and the sailors.

The guidance has been very clear. Secretary Gates has said we get to keep the money. And therefore, I think there is widespread enthusiasm to go after these types of efficiencies to help our soldiers, sailors, airmen and Marines.

So in no way do -- I think I can speak for my colleagues, because we meet so often, as Secretary Westphal and Secretary Conaton said. We do not in any way think this is a cut drill, and we think this is going to directly benefit our young servicemen and women.

SNYDER:

OK. Thank you.

SKELTON:

Mr. Kline?

KLINE:

Thank you, Mr. Chairman.

Thank you all for being here. Welcome, or welcome back. I'm getting nostalgic here for a minute in perhaps an unpleasant way, and I was thinking of Dr. Snyder's comments and question about agility.

And if I go back to 1988 when I had hair and was much younger and was still in uniform, I reported to Marine headquarters and found out that there was a discussion going on in the acquisition world in the Marine Corps, the famous HACMAC (ph) committee, about how we were going to buy computers.

And while they were trying to decide how to buy computers, there were Marines in the Marine headquarters in every base across the nation who were going out and using O&M funds and buying computers and operating systems and software however they saw fit. And then those got old, and they bought new ones with O&M while the ACMAC (ph) committee was still trying to figure out how to buy computers.

Now, that's over 20 years ago. New Marines have signed up, gone on active duty, served 20 years, retired, and I hear from Secretary McGrath that it's taken 81 months, seven years to bring on IT systems.

I'm just a little depressed, but it does tell me that we still don't have the agility that Dr. Snyder was talking about. And it seems to me that you chief management officers have got to figure out how to get agile for the services and for the department.

And I don't have a question because I simply wouldn't have enough time for you to try to answer what you can't answer, but please, let's look at the agility.

I do have a question, and it's connected to another nostalgic kind of flashback, this time going back to post-Vietnam when we ran out of money. Department ran out of money. Services ran out of money, and we parked them. I was flying helicopters, except we couldn't fly them. We put them on the flight line.

We couldn't even go out and turn them. We certainly couldn't fly them because we're out of flight hour program. We're out of O&M, or ONMN (ph). We couldn't fly.

And today if that were to happen, if we don't have the supplemental that Mr. McKeon was talking about, would prevent us from training if you have to park or anchor or dock the ships, and if you have to park the planes. And I find that pretty scary.

But what I find terrifying, and I want to just make sure I understood this, is I thought I heard each of you, or at least half of you -- two of you say that you were going to be -- your O&M accounts were being affected. You were shifting O&M money, and that tells me that we might be in that situation where, once again, we have to park them.

But what I found truly shocking was that I thought I heard you say that you were going to not be able to pay in the manpower accounts the men and women that we're asking to sail and fly and drive and fight, weren't even going to get paid. And if that were so, how do you make a distinction -- because one of our assumptions has been, "Well, the troops in theater are going to have what they need, and we'll let the troops at home and their families suffer to make sure that those that are in harm's way have everything they need.

But it sounds to me like we might not even be able to pay those troops in harm way unless you somehow split the manpower account and say, "Well, we're going to pay those soldiers in Afghanistan but we're not going to pay the soldiers at Ft. Campbell."

So my question is, are we really looking at not paying not only civilians, which is horrifying enough, but not paying the men and women in uniform that are flying, sailing, fighting? And I guess -- I don't know if it varies by -- if it's department-wide or varies by service, so please give us an answer. Are they going to get paid or not?

WESTPHAL:

They will get paid. I'll speak for the Army.

What we are concerned about is our civilian -- many of our civilian workforce in some of these O&M accounts. That's our chief concern.

KLINE:

OK. So for the Army, the soldiers get paid, but civilians may be furloughed and not paid.

Secretary Work, what about the Navy?

WORK:

Sir, as you have said, we've sometimes dealt with having to shift O&M monies at the end of a fiscal year. But quite frankly, the department was expecting the supplemental to be before the Fourth of July. There was really no serious thinking that it would go beyond the summer recess.

And so our analysis, which isn't complete, as I said, we would shift into an emergency mode if the supplemental was not passed. As Secretary Westphal said, the first thing that would happen is we'd have to probably furlough civilians without pay. And in mid to late September, there is a chance that we would run out of money to pay active duty personnel.

KLINE:

The sailors in uniform would not get paid.

WORK:

There is ...

KLINE:

Secretary Conaton, how about the Air Force?

CONATON:

Mr. Kline, it's very similar to what Secretary Work said. If we still did not have money the third week of September, that's when the military manpower accounts would be affected.

KLINE:

So the pilot, the bomber, the attack pilot in Afghanistan would be asked to fly those missions and would not be paid.

CONATON:

If we go beyond the third week in September.

KLINE:

Thank you. I yield back.

SKELTON:

Mr. Andrews?

ANDREWS:

Chairman, these are all the reasons why I'm confident the supplemental will be quickly enacted.

I did want to -- I'm well aware of the fact that there's a broad consensus in the United States that we want to have every dollar necessary to defend our country. There's an understanding that there are asymmetric threats and different qualitative threats than we faced in 1998.

But here is the way -- and this is not meant to be a rhetorical question -- here is the way many of our constituents would ask the question about management and budget in the Department of Defense.

If you exclude spending for foreign operations, if you exclude supplementals for Iraq and Afghanistan as special needs and go back to the base defense budget, the base defense budget in the fiscal year in which we're presently living is 47 percent higher than it was in 1998. Again, that counts none of the Iraq and Afghanistan supplemental.

Our end strength is eight-tenths of 1 percent higher. The number of ships we have is 15 percent lower than it was in 1998. The number of planes we have is 11 percent fewer than 1998.

The logical question -- and I do not mean this to be combative or rhetorical, but the logical question a taxpayer would ask is this: if we're spending nearly 50 (ph) percent more than we did exclusive of special operations overseas, Iraq and Afghanistan, and we have essentially the same number of people in uniform, we have 15 percent fewer ships and 11 percent fewer planes, why does it cost 50 percent more?

WESTPHAL:

Well, you're absolutely right. You know, I left the Pentagon in 1998 -- excuse me, in 2001 where the Army budget was about 70 -- the base budget was about 76, \$78 billion. That base budget is more than doubled.

So there's been a lot of growth. There's been growth in structure. There's been growth in personnel. There's been growth in a whole host of activities that we weren't engaged on to the extent that we're engaged in now, in the intelligence community, for example.

And it's exactly, I think, this growth that the secretary wants to -- Secretary Gates wants to get to.

ANDREWS:

I, frankly, asked my question because I am very sympathetic to Secretary Gates' premise, which is that there is an important distinction between our ability to vigorously defend our country and the overhead costs associated with that vigorous ability.

I think the job for this committee, for the department, for the public, is where to draw that line. And I want to caution us against using superficial ways to draw that line.

Mr. Conaway and I were just discussing before the hearing, it might be tempting to say, "Well, we have more accountants than we did in 1998." We may or may not, but just say, hypothetically, we do. So, therefore, that's overhead that we don't need.

Well, if those accountants are helping to better managing, better quality out of technology programs, that's a superficial and inaccurate measure. So I raise my question to really make this point.

I think the secretary's premise is exactly right. I think that we have too much in the way of logistical support to execute our mission. I don't think we have too much mission. I don't think we overspend on the mission. I think we should be vigorous in pursuing it in every respect.

But a hard question the department has to ask, the Congress has to ask, the country has to answer, is how did we focus on this logistical overhead and do a better job. I mean, I think that the rhetorical answer to the question I just asked is that we've had excessive growth in the overhead categories in these 12 years. And whether it is the way we buy technology or the way that we provide housing or the way that we move goods and services around the world, we have to do a better job at assessing what that is.

Anybody else care to comment on that?

MCGRATH:

So I would actually just -- I would like to agree, the statements that you just made. The Defense Department is a corporation. I think the construct of the chief management officer and having us look across the Defense Department as a business enterprise is different from -- see, each of the military departments looks -- and this is true for every component -- tends to naturally look very locally to solve an immediate problem. I think the example of the computer solutions, right, that, you know, everybody buys locally.

I think the construct of a chief management officer really forces the department to look corporately at what we do and how -- what we do, how we do it, is it tied to the strategy, the overarching mission of the department, and really analyze the execution piece. And I think that is one of the most powerful things that the chief management officer legislation has enabled us to do, and I think we're taking full advantage of that.

ANDREWS:

Thank you very much.

Thank you, Mr. Chairman.

TAYLOR:

Chair thanks the gentleman.

The chair now recognizes the gentleman from Arizona, Mr. Franks, five minutes.

FRANKS:

Well, thank you, Mr. Chairman.

And thank all of you for being here.

Ms. McGrath, my first question has to do with the PowerPoint presentation that accompanied the undersecretary of defense, Ashton Carter's memorandum. You're probably familiar with it. It was titled, "Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending."

And I thought it was pretty interesting. I actually agree with a lot of it. He used, quote, "The leveraging real competition" as his first initiative for greater efficiency, and I certainly think that makes all the sense in the world. And it was to support a continuous competitive environment.

You probably know where I'm going here. Given that language and the fact that the F-35 is the largest weapons system acquisition program in the Department of Defense, how can the administration, with a straight face, support the termination of the F-35 alternate engine, given that that is just clearly providing a continuous competitive environment consistent with the debate in undersecretary Carter's memorandum?

MCGRATH:

Sir, I'd like to say that I agree with Secretary Carter's approach to trying to achieve better, I'll call it, holistic acquisition. And there are a lot of different attributes you can use to achieve that, one being competition.

I am not familiar with all of the specifics on the issue that you raise, and I'll be happy to come back to you with any specific answers that I can.

ANDREWS:

Well, let me do this. Let me let anyone else on the panel have a shot at that question. This is, again, the largest acquisitions -- defense-related acquisitions for the department.

And this is clearly one of those things where we're underscoring a continuous competitive environment, which is mandated. It's not suggested, it's mandated in Mr. Carter, or Undersecretary Carter's memorandum. And how do we synchronize those two things? How do we make them fit together?

And Mr. Westphal or anyone else that would like to take a shot at it?

WESTPHAL:

Well, luckily for me, I don't have to deal with that on the Army side. But I will tell you this: we face that similar issue across all our portfolios for our weapons systems.

And what the vice chief and I -- vice chief of staff for the Army have done, at the direction of Secretary McHugh, is to stand up a holistic review to validate all our requirements across all portfolios of our systems. We need to go back and say, "Do we need this today?"

We may have needed it five years ago, 10 years ago, three years ago, but are we using it? Is it of value? Are we spending more money? Do we have duplication and redundancy in those systems?

So we've taken the approach that, in order to manage this better -- and this gets to a lot of the questions you're posing -- that we have to go back to the requirements piece. We have to validate those requirements across a series of portfolios of systems that we have and ensure that that makes sense today.

ANDREWS:

Well, I'm sure it doesn't shock any of you that this Republican's talking about competition, but I -- go ahead.

CONATON:

Mr. Franks, I'll jump in. And as both the Air Force and the Navy and Marine Corps are involved in the Joint Strike Fighter program, I'll let Secretary Work jump in as needed.

I think what you say about competition across the board is very important. I think where Secretary Gates and the two service secretaries came down on the question of the alternate engine was a judgment call and a balance, looking at the cost of the program in the near-term, the benefit that may accrue over time, and the benefits of competition.

As you know, some former programs, fighter programs, have had an alternate engine. Some have not. And I think in the judgment of the secretary of defense, the up-front cost over the next couple years of completing that program did not, on balance -- was not outweighed by the benefits on the other side.

And definitely understand the committee has strong feelings on this subject.

ANDREWS:

Well, thank you.

I'm going to try to squeeze one more in, Mr. Chairman. In the last two years, many of the programs, particularly many missile defense programs that I believe are actually vital to our national security, have been cut substantially, or even zeroed out. And many of our technological programs require time to realize those successes.

Even though the technology shows great promise and has demonstrated its knowledge points -- for instance, the airborne laser I think is a good example -- what are the services doing to make sure that we don't incentivize the termination of programs that could ultimately prove vital to our national security? And I'm going to throw that out to anyone, as well.

WORK:

Well, sir, from the Department of the Navy's perspective, the way this works is, within the department, we have a very structured way to go about the different requirements: a deputy advisory working group, which reports to the secretary, who holds small and large groups with all the combatant commanders, and that's where the requirements are really set.

As far as ballistic missile defense goes, we think it's actually a very good news story. I'll let Secretary Westphal speak to THAAD and PAC-3.

TAYLOR:

Mr. Franks? You actually expired. What I'm going to ask is that each of the witnesses submit that for the record.

ANDREWS:

All right, Mr. Chairman. Thank you.

TAYLOR:

Chair now recognizes the gentleman from Georgia, Mr. Marshall, for five minutes.

MARSHALL:

Thank you, Mr. Chairman.

My questioning has to do with the F-35 alternate engine, as well. And since it's pretty clear that nobody here is prepared to testify too much on that subject, I'm just going to make some observations.

I think most on the committee agree that this is not a close call. This is an exercise of very poor judgment by the secretary and the two service secretaries. It's such poor judgment that we can't even figure out really where it's coming from. It's arguably defensible, but here we're going to spend \$110 billion over a 20- to 30-year period of time, and we are essentially saying we're going to sole-source that contract.

We'll buy thousands of these engines. This is not a small buy. It's not for a brief period of time. And the idea behind the competition is that it is ongoing.

Now, Secretary Gates has recently said that he believes -- his idea -- his notion of competition is winner takes all. I think he needs to have a little bit broader notion of competition with regard to these long-term projects like this one. We want competition throughout the duration of the project.

I talked to a retired Navy commander, Marine, flew fighter jets, and he described the problems that they were having with the F-16 when there was only one engine, and then the benefits that they experienced once there was a competing engine. I don't know that this is actually how it was structured, but he believes that the way the competition was structured -- and it was annual competition here for better performance, better reliability, better responsiveness -- every single year, the two competing companies were vying with one another to see who was going to get 60 percent of the buy in the following year.

And it went back and forth, back and forth between the two companies, the effect of which, at least according to this retired commander, was a remarkable improvement in the number of F-16s that could actually fly, their performance, their reliability, etcetera. GAO, looking at the F-16, if I recall correctly, it was either 21 percent or 34 percent savings over the life of the program as a result of competition.

The Pentagon's own figures acknowledge that the short-term costs that you described the Pentagon as not being interested in incurring right now -- because we've got tough budget, you know, disputes at the moment -- those short-term costs will be repaid, almost certainly, and it doesn't take into account the likelihood that there will be huge savings as a result of the competition that I described that went on where the F-16 is concerned.

So I don't have a parochial interest in this at all. You know, when I first started getting involved in this, I didn't know who was building the engines. But we make a huge mistake by sole-sourcing a 20- or 30-year, \$110 billion program.

And I hope that that message gets back to the two secretaries and the secretary of defense, all of whom I respect enormously. I think they're doing a great job for the country. But their judgment is really flawed on this one, and I don't know where it comes from. It's so off-base.

And with that, I yield back, Mr. Chairman.

TAYLOR:

Chair thanks the gentleman for yielding back.

Chair now recognizes the gentleman from Texas, Mr. Conaway, five minutes.

CONAWAY:

Thank you, Mr. Chairman.

Witnesses, thank you for being here this morning.

I don't discount for one second the difficulty in achieving auditability or business management systems transformation, all those things. It is spectacularly complex issue across all your agencies. In a two-hour hearing, you just simply cannot do justice to that.

But I am concerned that, given the revolving door that is your jobs, that six years from now we'll have someone sitting in Ms. McGrath's position talking about yes, the deputy chief management officer system is working, it is working fine, auditability and business management systems transfer, those words roll off your tongue very well, business enterprise architecture, enterprise transition plans, enterprise resource planning, business transformation agency.

All of that sounds wonderful, and to the uninitiated, it sounds like we're making progress. But I believe it creates fog. And we hide in the fog the lack of progress that we're making. There's a long litany of fires, or Financial Improvement -- whatever that thing is -- from 1990 to today. And each time we have a change in leadership, we have a new plan, and we don't execute the plan fully to the end (inaudible).

So it's not really a question, but it is an observation that this is hard, and I recognize how hard it is, but it's important, as well. It's no different in the business arena in which a pointy end of the sword in business doesn't like the back office guys, and there's always that tension between resources and, you know, the mission and those things.

But we can't, I don't believe, do the mission properly for the taxpayer of this country without being able to tell them that we spend all this money correctly. We may spend every nickel perfectly, but we can't prove it to anybody.

GAO has a litany of high-risk arena areas that the DOD has never had one come off their list. It just gets longer. And so all of us on this side are committed to doing what it takes to get you the resources and have you keep those resources as you go forward.

I am concerned that, as this efficiency model that Secretary Gates has talked about, if you looked at that chart, and it looks to me like it's a across-the-board cut. Everybody gets \$28 billion, and you figure

out where it comes from even though your individual budgets may be different, your individual needs in the next 10 years may be different.

And it doesn't appear to be, at least on the surface, rationale as to how we came to the goal, the \$101 billion, over that timeframe, which I think is about 3-plus percent of total spending within the department over the next five years.

But I worry that you'll inordinately punish or take advantage of the resources that ought to be used to attain auditability, and these management systems transfer because those don't have a lot of champions in the system, but spending money somewhere else in O&M do have champions in the system. Long statement, three minute, four minutes worth.

Can you talk a little bit about cross-pollination (sic) between particularly the three service branches? Because each of you has an auditability goal, and I'm hoping that the Marine Corps is still on track to get their goal accomplished.

The goal of that first audit is laudable and is important, but the better goal is auditability over -- going forward. We can all make Herculean efforts one time to get something done, but if you can't replicate that because the systems didn't get developed along the way, then we really haven't achieved much beyond just that -- pat ourselves on the back for that first audit.

So do you have some sort of a cross-pollination (sic) system among yourselves? Because you're going to be doing the same back office functions across your three departments.

MCGRATH:

So if I could just make a couple of comments, and then to the extent my counterparts want to add, the undersecretary of defense comptroller, Undersecretary Hale, hosts or convenes a FIRE, Financial Improvement Audit Readiness, governance board where we all participate. We're all members of the governance board. And in fact, I co-chair with him because we are taking a look across the defense enterprise, not just in the financial space, understanding the systemic changes we need to make to ensure auditability.

So it isn't...

CONAWAY:

Well, let me ask you this. You get to that point, and you've got to make a decision. The Army wants one system, the Navy- Marine Corps wants a system, the Air Force wants a -- who makes the hard call to say, "This is the system that we're going to go to, we're going to go common across all three," and force it on them? Is there a system? Is anybody in the Department of Defense have that authority to do that?

MCGRATH:

The common piece (ph) are the standard. So if each of the military departments today in the services are pursuing different financial solutions that, at the end of the day, will enable auditability across the enterprise because we're using a common set of standards. It's the standards that will drive the auditability.

CONAWAY:

All right. Well, thank you for what you're doing. I know it's hard, but it is important.

Thank you, Mr. Chairman.

SKELTON:

Thank the gentleman.

Gentleman from Connecticut, Mr. Courtney.

COURTNEY:

Thank you, Mr. Chairman.

Your first question, Mr. Chairman, regarding the commissioning coming up a week from Saturday, the USS Missouri, again focused on a successful program in the Navy, which again I think, just to reiterate the point that you made, this ship, this submarine, was built with 10 million man-hours. The first in its class from the Virginia class, the USS Virginia, was built with 14 million man-hours, in other words, a four-million man-hour reduction.

The first submarine was built. It took 87 months. This one will take 60 months. And as we go into the next block of submarines that are in the block 3 contract, which the Navy executed in December of '08, we're shooting for 55 months in terms of the construction.

And what I would say is that we're not cutting corners. In fact, I think the capability of the Missouri surpasses the first in its class so that -- obviously, you know, we've got a program where we've figured out a way to do it more efficiently, in fact improve quality. And it was done because we innovated in the yard, because we created a culture of cost containment and cost savings. And it really, I think, is a model, which particularly in a shipbuilding account that is going to be stressed over the next 10 years or so, that I think we all should really pay heed to.

And again, I think Mr. Andrews and Mr. Conaway's reform bills, the acquisition reform bills which, again, are about trying to statutorily create a system where design and research is done up front rather than on top of production, which is where I think we got into trouble with the LCS program.

And I guess, you know, Mr. Work, I mean, we've spent a lot of time this year already talking about the SSBN, which clearly, looking out on the horizon, is going to put a lot of stress on the shipbuilding budget. And I guess my question to you is, is the Navy prepared to look at lessons learned from the Virginia program, the success which we clearly are seeing in real savings and quality, and applying to that program? Which again is going to be a challenge for this committee for many years to come.

WORK:

Yes, sir, we are. The Virginia is actually the model we're using on the SSBN-X. It's very important. Secretary Mabus himself is following the development of the requirements for that boat extremely carefully and is working directly with the chief of naval operations and Secretary Stackley, our assistant secretary of the Navy for RD, research, development and acquisition, to really get those requirements right so we don't overprice the boat.

We understand the requirement to put the R&D in and getting to about -- getting our engineering drawings to a high degree of fidelity before we start construction. That's exactly our plan. We hope to be ready for the first boat in FY '19. So we are using the Virginia as the model for that program.

COURTNEY:

Thank you. And I think, you know, some of the questions which have taken place this morning about not sacrificing our defense needs in the mission of trying to create efficiency, I mean, this clearly, I think, is the ultimate challenge, because the need for an Ohio replacement has been articulated in the QDR, the 30- year shipbuilding plan, the nuclear posture review.

So, I mean, obviously the need is there, and your budget shows a commitment to satisfy that need. But clearly, we've got to use every tool possible to try and create the efficiency so that we get that cost down to a manageable level. And I'd certainly encourage you to keep going down that path.

And with that, I yield back, Mr. Chairman.

SKELTON:

Mr. Wittman?

WITTMAN:

Thank you, Mr. Chairman.

Thank you, members of the panel. Thank you for joining us today, and thank you so much for your service.

Secretary Work, I want to go to you, and I want to expand upon Secretary Gates' efficiency initiative that he announced on May 8th at the Eisenhower Library.

It seems like to me under that -- and I want to get your assessment of that -- it seems like to me that, under that efficiency initiative, that that's going to require an objective analysis of all decision-making surrounding expenditures. Am I correct in assuming that that's what will happen out of this process?

WORK:

Yes, sir.

WITTMAN:

OK. So under that, would you say that it's safe to assume, then, that there's going to be significant differences or changes in how departments make decisions on expenditures?

WORK:

I'm not so certain it would be different, sir, in that Secretary Mabus has set up a procedure to get decisions to his level, the commandant's level and the CNO's level so that those three leaders make decisions that are right for their department. So I don't think that the efficiency drill will change that, but it will also -- it will just really tighten down when we look at every single decision on the final calculations we make.

WITTMAN:

So you would say, then, that we would be applying a pretty strict model of objective decision-making within deciding on the expenditures?

WORK:

I believe that is Secretary Mabus's intent in every decision.

WITTMAN:

OK, very good.

Let me go back a little bit, then, and go to some testimony before this committee of both the CNO and the chairman of the joint chiefs. When asked about decision-making with the home-porting there in Mayport, when the CNO was asked, "Tell us about the objective analysis that was done, the risk assessment that was done behind that decision-making," the CNO said specifically hadn't been done. This was a seat-of-the-pants judgment they were going to make about strategic dispersal.

Asked the same question of Admiral Mullen. Admiral Mullen said the same thing, hasn't been an objective analysis done. This is a decision that we're making based on our best judgment, or again, seat-of-the-pants decision-making.

I go back to a quote by Secretary Gates. Secretary Gates said specifically, "We need to decide dispassionately about these sorts of efforts."

Within that realm, do you believe, then, that the decision about home-porting a carrier in Mayport should require an objective analysis before that decision is complete, since none has been done, since there hasn't been a risk analysis? Do you believe that, under this efficiency initiative, then, that we need to go back and do an objective decision-making -- or go through an objective decision-making process on this home-porting decision?

WORK:

Sir, I don't believe we do. There is a balance between strategic requirements as well as efficiencies. In this case, the department -- and as affirmed by the QDR -- that the strategic rationale for the home-porting decision is a good one.

And I am reminded of -- this reminds me somewhat -- before the DDG-1000 program was truncated, the Department of the Navy wanted to single up into one yard for efficiency's sake, and we made the case that we would save about \$300 million per boat, or per ship. And it was the Congress that intervened and said, "Look, you cannot take the risk of singling up into a single yard because what would happen if that yard was hit by a catastrophic event?" And the wisdom of the Congress was proven a year later in Katrina, when the yard down on the Gulf Coast was knocked out for a while.

There was no objective risk analysis would give you a number on why you would do that. It's a strategic judgment of leadership that we basically say this is a good call and would trump a mere efficiency argument.

WITTMAN:

Well then, where would the line be drawn between when you make a strategic decision without objective analysis and when you make an objective analysis, which in this case you can easily quantify the risks that you're trying to mitigate? So can you let me know where that line is? Is that a line that, through this efficiency initiative, that we're just going to kind of meander with?

WORK:

No, sir. I think the process is, on a quadrennial basis, do that in the Quadrennial Defense Review, so we actually teed that up. At the request of the committee, teed that up to the secretary of defense to ensure that our strategic judgment was sound, and they actually supported us.

So every four years we have that, and then every year we have a means by which to bring up strategic concerns to the deputy secretary and the secretary. And it's, in my view, a very effective way. I've been quite pleased over the last year to see it in action.

WITTMAN:

I'd like to get a copy, too, of the response to Congressman Forbes' question about how those scenarios then changed. Obviously there must be some quantifiable change that's there between the QDR, the BRAC, and then the 2010 QDR.

Thank you, Mr. Chairman. I yield back.

SKELTON:

Thank the gentleman.

We have two votes. We will return as quickly as we can and resume the inquiry. And so, please have patience with us. We shall return. We're in recess.

(RECESS)

The hearing will resume.

Mr. Nye, gentleman from Virginia.

NYE:

Thank you, Mr. Chairman.

Secretary Work, I had the pleasure of attending recently a breakfast where you were the guest speaker, and you laid out and described for us the challenges that you're facing right now in terms of Secretary Gates' charge to look carefully at all your spending accounts and find ways to save some money, particularly looking in the overhead arena.

And I offered to provide some ideas for ways that I thought we could do that, and that's part of our ongoing communication with you and Secretary Mabus.

But I wanted to note, you were describing what Secretary Gates said in May, essentially said military spending on things large and small can and should expect closer, harsher scrutiny. And I think that's a reasonable statement, given the fiscal environment that we're in right now.

In fact, Secretary Mabus recently said, quoting him, "The expected level of resources over the near- to mid-term will not sustain every program and every program objective, warranting a willingness to consider trade-offs in even our most deeply held priorities. And there are no sacred cows. Everything is on the table."

Do you agree with Secretary Mabus in that assessment?

WORK:

Yes, sir, I do.

NYE:

OK. What I wanted to ask was, given that constrained environment, and given the new charge that you've been provided by Secretary Gates, even subsequent to the QDR being released, and considering the fact that the proposed redundant nuclear carrier home port in Mayport carries a price tag of approaching a billion dollars estimated, that four equivalent facilities exist in the country, including another one on the East Coast, and that, theoretically at least, those funds could be used for other priorities that are on our list, getting the 313 ships, fixing all of our maintenance backlogs at the facilities and of the ships that we have in the fleet, strike fighter shortfall, all those things that are on that list, including every other priority?

What I wanted to ask is, would you agree that those are the kinds of trade-offs that you have to consider?

WORK:

Yes, sir. In fact, we're in the process of considering them for this budget submission, which I think you know is due up to OSD on the 30th of July.

As we looked at Mayport, really it is we believe the costs are far closer to about \$589 million instead of six billion (ph), and it is really stretched out over a long period of time. Between FY '11 and FY '15, it's a grand total of \$239 million.

So we don't - this is a cost that we believe is very manageable and does not in any way, shape or form take away from any of the other higher priority goals in the department. We actually think it fits well within the guidance we've been given on the QDR, and don't believe it will, in any way, shape or form, cause a problem in any of the other things you mentioned.

NYE:

Well, we can agree or disagree on cost, and oftentimes we do. And this committee has actually ask for, in this year's NDAA, some further studies into what all might be on the table that would lead to a good estimation of what that cost might be at the end of the day.

But I think the bottom line of what I'm getting at here is, we know there's a cost involved, and it's significant. We know that we're in a very tight resource-constrained environment and that we've got to make some tough choices and some tough trade-offs.

And that's the charge that you're left with. That's the charge that I'm left with in terms of representing a district, but also taxpayer dollars and trying to ensure the folks that fund us that we're using that money as efficiently and appropriately as possible when making some of those tough trade-offs.

I just want to note that recently Northrop Grumman announced that it's closing its Avondale shipyard due to excess infrastructure. In fact, they noted that, since the Cold War, the size of our fleet has shrunk significantly, and they just - they can't afford to keep open an extra facility.

I know there are a lot of folks who would like to see that facility remain open. But again, that's a tough choice they had to make about facilities and what we're able to afford, going forward.

I just say that to highlight the environment that we're in, and I have made no secret of my position on this issue. I strongly believe that whatever the final cost, whether it's a billion or something in that timeframe - or in that region, over time, we can use that money on things that are more urgent and more pressing for our Navy.

So I just want to close by urging you again, in the strongest way I can, to, as you said, consider those possible trade-offs, you know, take a look at that project again. And going forward, carefully decide whether or not that's really the best possible use of our scarce Navy dollars.

But I thank you all for your service. I understand what you've been asked to do is you've been asked to make some very tough, difficult choices. And we want to work with you in that process.

Thank you. I yield back, Mr. Chairman.

SKELTON:

Thank the gentleman.

Before I call on Ms. Davis, Mr. Work, recently I asked the proposed price tag on a replacement vessel for the Ohio-class submarine. Has the Navy done any studies on whether a replacement, such as the Virginia-class submarine, can perform the same duties with obviously an alteration in the missiles and the ship somewhat?

WORK:

Yes, sir, we have. Secretary Mabus, when he came aboard last year, and I were first given the briefing on how much this boat could potentially cost, this became one of his focus items from day one.

For the last year, the AOA, the Analysis of Alternatives for the submarines has occurred. The judgment is that, because we have elected to go with the D-5 missile, that using the Virginia is not the right way to go, that it is a much better and more efficient thing to exploit our existing infrastructure on a 42- or 43-foot diameter hull.

Once that decision was made, Secretary Mabus has asked every single requirement, what is the basis for that requirement, and what is the thing that is driving the cost in the boat. I don't have a final answer for you, Mr. Chairman, but this is at Secretary Mabus's level, and I can assure you that we will have an affordable boat that we can afford in the 20s.

SKELTON:

Well, what's interesting, based upon your testimony today, the missile's driving the boat. Have you asked engineers to redesign a missile that might fit on a Virginia-class submarine? This isn't brain surgery. Have you done that?

WORK:

Sir, I'll have to come back and see if we have done an actual costing, but at the office of the secretary of defense level, it really was can we afford to design a whole new missile mount, and the decision was to stick with the D-5 through about 2040. And that will sustain our solid rocket motor base industry. It will take advantage of all of the investments that we've had up to this point. And we believe that is the cheaper -- excuse me, the most inexpensive and the right way to go.

SKELTON:

Well, we may be of some help to you on this, and help you with a decision, Mr. Work, because it appears the replacement of Ohio-class submarine is just phenomenal and might well eat into your attempt to reach the 313 ships that we want for the United States Navy.

I think you ought to ask the engineers about a missile that might fit in a smaller submarine rather than the multi-billion dollars you might have to sink into a replacement for the Ohio-class submarine. We're talking about efficiencies.

WORK:

Sir, Mr. Chairman.

SKELTON:

Ms. Davis?

DAVIS:

Thank you, Mr. Chairman. Thank you to all of you for being here and for staying, and a special welcome to Secretary Conaton. Good to have you here. Thank you.

I understand that the department and the individual services are looking very, very hard to cut whatever programs are possible, and clearly understood, and I think that we should be doing that. I also understand that we're looking for some efficiencies, and hopefully some of those might even go into quality of life programs for our military personnel and their families.

But I am concerned that we may be cutting, or even eliminating, some programs that are extremely valuable, and I wanted to talk for just a moment about the My CAA program, the career accounts for our military spouses, career advancement accounts.

That program has been wildly popular, as you know. And I wanted to ask, particularly Ms. McGrath, if you could help me understand better the process for weighing programs like that which, when compared to other programs, are relatively small dollar amounts, and yet we have many far larger ticket programs out there that gain a lot more attention.

But this one in particular I think is important to many. So what is it that we are really specifically looking at here? It's been scaled back, and may, in fact, not have nearly the impact that it could have had with a relatively small -- larger dollar amount.

MCGRATH:

Yes, ma'am. We've been talking this morning about obtaining efficiencies across the Department of Defense. We're looking at -- and I think it's been mentioned by everybody here -- we're looking at everything we do, how we do it, and are we optimizing our performance, the way we currently execute today. So major programs, organizational structures, are there better ways to execute.

And then, when the decisions are made, it is through a very -- what I'll call an analytical process where all of the submissions are brought together and every aspect is looked at, both from efficiency, effectiveness, quality of life, things like Wounded Warrior certainly would be maintained. We are not

looking to degrade, you know, quality of life, but I would say that we're looking at every aspect of what we do when these decisions are made.

And so, it is not just about, you know, trying to save a dollar or move things exactly from, you know, support to infrastructure without the input of quality and quality of life for our service members and their families.

DAVIS:

Does the impact in the popularity, in many ways, of a program -- I've had spouses tell me, of all the things they have been looking at over the years, all the programs that are offered, this one resonated more than anything else. And I would submit that I think it's worth a second look in that program. And I appreciate your response.

We're going to nudge on that one, because it clearly can make a difference down the line. And I think by so narrowing the program and what's happened in the last directive, we're going to be missing out on a lot of the kinds of opportunities that many of our families might be entering into, which is going to turn around and help the services in the long run. And I don't think this is the time to lose out on those opportunities.

I also wanted to just raise one other issue, if I may, within the time that I have, and that's for you, Secretary Work. If you could just speak for a moment, because Admiral Roughead had said that predictable ship procurement allow the industry to stabilize its workforce and retain the critical skills necessary to national security. And Admiral Mullen also has noted earlier.

And in light of that, when we look at the MLPs, the Mobile Landing Platforms, being spread out over a period of five years versus three years, which does not maximize the workforce, how do you look at those programs and try and make those decisions? Because I think we certainly have a strong example or two of where pushing up, you know, the opportunity to move within a three-year period would make a huge difference in terms of maintaining the kind of people that we need to be involved in those programs.

WORK:

Yes, ma'am. Secretary Mabus is committed to maintaining 10 ships across the -- I mean 10 ships per year across the pit (ph), 50 ships per year, and within the balance of the resources that we can put to new ship construction. And we have to make these choices every day.

More often -- I mean, sometimes we do have to go to every other year procurement, but in this case we work directly with NASCO, for example, to work out with them on how they could achieve favorable rates using existing legislation. And we will continue to work with the industrial base in every case to try to work through in the most efficient and effective way, given the limitation of resources and the priorities that we're trying to balance across the department.

DAVIS:

Thank you. I know they're difficult questions and issues, but I think, in the long run, the taxpayer will be saving if we can figure out a better way to do that.

And I'd like to yield to my colleague, Mr. Nye, for my remaining time.

NYE:

I want to thank Ms. Davis for her interest in the My CAA program and just follow up by saying I also think the program has provided some tremendous value to our military spouses.

And earlier this year, I was contacted by a number of spouses who complained that the program was changed without a lot of notification to them. And I want to urge you, in your review of this program, to please do as much outreach with the military spouses as possible to hear their views about it before you make changes.

Thank you.

DAVIS:

Thank you.

Thank you, Mr. Speaker -- Mr. Chairman.

SKELTON:

Thank you very much.

Does any other member wish to ask a question? Mr. Bishop?

BISHOP:

Thank you for staying around so long. You timed it very well.

Ms. Conaton, I'm extremely happy to see you here again in your current position, and I want to thank you for all the service you gave to us, both when you were in charge of the Minority Council and then Majority Council. I wish you best in this new endeavor, as well.

I am also most familiar, I suppose, with the Air Force bases, and I realize that we have a lot of infrastructure needs in all the military, but especially the Air Force right now, and especially with the MILCON processes we have.

One of the idea -- this committee has long promoted for years is the concept of enhanced use leasing, which tries to leverage private sector dollars along with the military spending to try and utilize our under-utilized properties that may belong to the DOD for the benefit of both the private sector as well as for military spending. I know in my area, Falcon Hill project, which is extremely important, we're looking at maybe \$500 million worth of revenue that can come to the Air Force over 30 years for needed infrastructure development.

So I guess a couple of questions on that line. What is the Air Force position, going forward, about promoting and fostering enhanced use leases as a tool to help bridge the gap between the lack of MILCON resources and the need that is out there?

CONATON:

Thank you, Mr. Bishop, and appreciate the opportunity to continue what's been a dialogue with you and other members of your delegation on this issue.

I think enhanced use leases are a very important tool as we look at how to best invest our MILCON dollars. So I'd agree with the premise of your question.

BISHOP:

Does the Air Force have a process, or a system in place, to help review potential problems with EULs or to recommend to Congress any legislative fixes or authorities that may be needed to promote them?

CONATON:

Sir, I'd like to get back to you, I think, with a more precise answer for the record about any additional needs that we might have there. I guess all I'd say in a general sense is that I think the dialogue between these committees and the services in between individual delegations and the services is critically important on this. And I'll get you a more detailed answer for the record.

BISHOP:

That would be fair, and I think (ph) also better for me, as well as the department or the Air Force, in this case, with a more detailed answer later on to that question.

I'm making the assumption that you have not experienced any institutional resistance from the Department of Defense in fostering an EUL?

CONATON:

Sir, not that I'm aware of. As you know, there are a number of enhanced use leases that are very complex and complicated in their specifics. And so, the Air Force staff has been working to talk through those issues that might be of concern to OSD, recognizing that some of these instances are more complicated than others.

BISHOP:

In every effort where we start something that's a little bit innovative, or new or different, there are sometimes institutional concerns or problems that probably can be easily worked out if our mindset is that we want this to be successful from the outset.

And I think -- I appreciate you saying very clearly that this is one of those vehicles that we can use to try and move forward into helping some of the infrastructure needs that we have, and I appreciate your positive answers. I look forward to the more complete answer. And I look forward to working with you in the future. Thank you.

CONATON:

I do as well, sir. Thank you.

BISHOP:

Yield back.

SKELTON:

Thank the gentleman.

Ms. McGrath, what progress has been made in addressing the items on the GAO's latest high-risk list for the Department of Defense?

MCGRATH:

Sir, as I mentioned in my opening statement, we address the high-risk areas not as sort of an additional thought. That is our everyday thought. They are included in our strategic planning document for the business base, which is the strategic management plan. They are aligned within those four goals, so we take proactive measures to address them each day.

Each one of the high-risk areas has a plan identified. It has appropriate governance in place. We utilize the Defense Business Systems Management Committee to review each one of the high risk areas. We

meet with the Government Accountability Office frequently on each of the areas in addition to the Office of Management & Budget, to ensure that we are keeping our eye on the ball.

We also have identified milestones and measures for each one of them, and we track performance quarterly through the DBSMC. So I would say I mentioned some specifics on the personnel clearance reform. We have made certainly a lot of progress there, the management attention, the plan, the proactive measures, all our tools we need to actually make progress on each one of those. And I believe that we are making progress in each one, and I'm happy to talk about any of them in specific detail or just talk in sort of general terms about where we are with each one. But I am comfortable, and I can clearly state that we are making progress.

SKELTON:

To each of the undersecretaries, let me ask this: each of you have an adopted, it appears, a different management structures for business transformation -- for instance, I note that Lieutenant General Durbin's here -- and why are your approaches and staffing levels for this endeavor so very, very different?

Mr. Westphal?

WESTPHAL:

Mr. Chairman, you're right, every service has different processes, although some of our processes are, of course, the same.

In the case of the Army, there were -- prior to Secretary McHugh and I coming on board, the Army had instituted, under the previous administration, an enterprise task force, an enterprise approach to management. We examined that closely, and with the mandate from Congress to establish an Office of Business Transformation, we made the decision to incorporate that management enterprise approach within the context of business transformation and apply it holistically across the Army.

Now, that enterprise approach had a staff that had been created to help manage the process under the the-deputy undersecretary of the Army. I took some of that staff and brought it into the -- and to create and establish the Office of Business Transformation because they had already been engaged in business transformation activities.

That helped me immensely to be able to then immediately take hold of the planning, programming, budget execution piece, which we were in -- sort of came in in the middle of and really managed the POM (ph) process, the planning process, and established what I call the Army Management Enterprise, which is basically the secretariat and lead, with the Army staff in support, to put forth what we call the Army Campaign Plan, which is essentially the direction that we at headquarters give to the Army holistically across the board.

So it allows me to integrate planning, business transformation, the resourcing decisions to bring it to a level of integrated discussion among -- and across all sectors of the Army, led by the assistant secretaries with me and through to the secretary of the Army to get decisions done.

And then, in addition to that, we established something called the Army Enterprise Board, which is a fourscore -- excuse me, it's a four-star board, led by me but an advisory board to the secretary of the Army, of all the four-stars, that is secretariat and uniform, to basically become a forum for discussion of major issues that need to be resolved across the Army.

SKELTON:

Thank you. Mr. Work?

WORK:

Sir, the way I would answer this is I think there's great strength in the way the department is handling this now. Each of the unders come with a little bit of different background. Secretary Conaton comes from Congress. Secretary Westphal has been in the building before, and Ms. McGrath.

The way it works now, sir, is that we establish common goals across the Department of Defense and the departments. We each have to come up with our business transformation plan and our business enterprise architecture. But each of us come at it a different way, and I would argue, it's a strength.

We have meetings at the DBSMC, the Defense Business Systems Management Council, chaired by Secretary Lynn, in which we come in and say how we would approach a problem, and we have discussions on what are best practices. Ms. McGrath meets with the unders quite often, and then the unders meet themselves, along with our financial management and comptrollers.

And by setting it up the way we do, where we all have common goals and common plans, but we can approach the problem differently, we actually, I think, are better for it, and it makes for a very innovative approach to this where we all have a common goal, and that is to prepare the best and most efficient business operations for the department.

SKELTON:

Ms. Conaton?

CONATON:

I certainly agree with everything that Secretary Work just said. Just for a brief moment talk about the Air Force structure.

Obviously, like my colleagues, serving as the chief management officer, I have a very able deputy chief management officer, Mr. Tilletson (ph), who also is dual-hatted as our director of the Office of Business Transformation. The choice in Air Force was to relatively leanly staff that office and rather to make use of expertise that exists throughout the functional secretariat and air staff, recognizing that transformation's got to occur in the actual activities of those parts of the department rather than mandated from the outside.

We also have representation, folks in different parts of the country at our major commands who have expertise in Lean Six Sigma approaches and have gone through the effort that the Air Force has, Air Force SMART operations for the 21st century, what we call AFSO 21, which is our continuous process improvement, which will help drive transformation outside of the headquarters level, as well as in the headquarters itself.

But I guess I'd come back to things we've talked about, which is that leadership really matters in driving transformation. And so, the fact that these issues are brought to the Air Force council, which is our governance process, has helped us keep a continuous leadership eye on where we need to go with mission and transformation.

Thank you, Mr. Chairman.

SKELTON:

Thank you.

I believe Mr. Bishop has an additional question.

BISHOP:

Thank you. I thought that was an important question. I appreciate your answers. Could we have, though, for the record if necessary, the staffing levels, the number that we have, from each of you on those particular areas? And if you'd like to do that for the record so you can get the exact number correct, that would be OK.

SKELTON:

Along with that, could you give a summary of the duties about the leaders, but -- you don't have to go all the way down to the bottom, but at least give a summary of the top few, please.

The gentlelady, Ms. Carol Shea -- go ahead -- Shea-Porter.

SHEA-PORTER:

Thank you very much.

And thank you all for being here. I wanted to pursue the supplemental and the impact that you believe that it would have. I know that we've seen a lot of votes for and against, both Republicans and Democrats voting for it and against it over a period of time. Has that caused any problems so far? And with the size of the budget, where exactly would you cut? I know that you had talked about pay, but what other options would there be if you didn't receive the supplemental?

WESTPHAL:

I'm not sure exactly -- well, first of all, they would come mostly from our O&M accounts. So, depending up if the supplemental is not passed before the recess, we would then have to go into those accounts and look at what we can do.

We have tried to anticipate the possibility that the supplemental wouldn't be passed, and we have submitted, or have ready to submit -- I can't tell you which one of those two it is -- some reprogramming to avert any major issues during August. But some time in August, we would be having to weigh in how we address a lack of funds in some of those accounts.

SHEA-PORTER:

OK. Any idea about what you'd be looking at?

WESTPHAL:

We'd be looking at the possibility of some furloughs in some of those O&M areas in the Army, and that would be across various departments and various agencies of the Army.

SHEA-PORTER:

OK. Has there been any problem to date with the fact that there have been, you know, inability to bring this all the way through? Have you experienced trouble?

WESTPHAL:

No. You know, I mean, we watch carefully. We monitor and we certainly have a lot of conversations with staff and members about -- well, about the progress made, and we try to anticipate. And so we've been in an anticipatory mood, at least in the Army, and I think all of my colleagues would say the same thing in their service.

But it's a very unpredictable process, and at the end of the day, we have to just wait until you make those decisions and accept whatever the consequences of those are.

So we're reasonably hopeful that you will have a supplemental approved before you leave for recess. We hope that's the case and that we then will proceed to make sure that we (inaudible) the way you want us to.

SHEA-PORTER:

OK.

Anybody else want to answer that?

WORK:

Well, as you know, ma'am, Secretary Gates sent a letter to Speaker Pelosi, as well as all of the chairmen, and basically said this is kind of an unprecedented situation. We haven't been (inaudible). We know that if the supplemental is not passed, that some of our base budget operating accounts would begin to deplete in August. And although we would keep exempt civilians on duty, as everyone has said, other civilians might have to be furloughed without pay. And of course, we'd keep our men and women on active duty, but at some point in the third -- or in the latter part of September, we would run out of money to pay for those.

So this is quite an extraordinary circumstance. I can speak for the Department of the Navy for certain. This is not a circumstance that we would like to be faced with.

SHEA-PORTER:

Right. Would you have to look at some of the contracts, or is that separate? I mean, would you reevaluate some of the contractor deals that we've made?

CONATON:

I think it would depend on what the contract is. To the extent that contracts are issued for work that comes out of the operations and maintenance accounts, I think it would be affected by the drawdown of those accounts in the middle part of August.

And the only other thing I'd add to what my colleagues have said on a more general level is the secretary of defense has told the services, and I think told other parts of the department, really clearly that we should minimize the disruption to the programs and to our deployed men and women.

And we are relying upon Congress, this institution, to provide that supplemental, and that we're going to keep moving on that path. Obviously we'll plan, as we need to, for a worst-case scenario, but I think the direction he's given to the services is to trust that the Congress will provide.

Thank you.

SHEA-PORTER:

I just wanted to make sure that the plan would be to protect the men and women who were in uniform. Either way, that's the mission that we all share, and you have reassured me that that will be the top priority.

Thank you so much, and I yield back.

SKELTON:

Thank the gentlelady.

If there are no further questions, we thank our panelists for your testimony, for being with us, for your expertise, and especially for your leadership. Thank you again.

CQ Transcriptions, July 22, 2010

List of Panel Members and Witnesses

PANEL MEMBERS:

REP. IKE SKELTON, D-MO. CHAIRMAN

REP. JOHN M. SPRATT JR., D-S.C.

REP. SOLOMON P. ORTIZ, D-TEXAS

REP. GENE TAYLOR, D-MISS.

REP. SILVESTRE REYES, D-TEXAS

REP. VIC SNYDER, D-ARK.

REP. ADAM SMITH, D-WASH.

REP. LORETTA SANCHEZ, D-CALIF.

REP. MIKE MCINTYRE, D-N.C.

REP. ROBERT A. BRADY, D-PA.

REP. ROBERT E. ANDREWS, D-N.J.

REP. SUSAN A. DAVIS, D-CALIF.

REP. JIM LANGEVIN, D-R.I.

REP. RICK LARSEN, D-WASH.

REP. JIM COOPER, D-TENN.

REP. JIM MARSHALL, D-GA.

DEL. MADELEINE Z. BORDALLO, D-GUAM

REP. BRAD ELLSWORTH, D-IND.

REP. HANK JOHNSON, D-GA.

REP. CAROL SHEA-PORTER, D-N.H.

REP. JOE COURTNEY, D-CONN.

REP. DAVE LOEBSACK, D-IOWA

REP. JOE SESTAK, D-PA.

REP. GABRIELLE GIFFORDS, D-ARIZ.

REP. NIKI TSONGAS, D-MASS.

REP. GLENN G. NYE III, D-VA.

REP. CHELLIE PINGREE, D-MAINE

REP. LARRY KISSELL, D-N.C.

REP. MARTIN HEINRICH, D-N.M.

REP. FRANK M. KRATOVIL JR., D-MD.

REP. BOBBY BRIGHT, D-ALA.

REP. SCOTT MURPHY, D-N.Y.

REP. BILL OWENS, D-N.Y.

REP. DAN BOREN, D-OKLA.

REP. JOHN GARAMENDI, D-CALIF.

REP. LEONARD L. BOSWELL, D-IOWA

REP. MARK CRITZ, D-PA.

REP. HOWARD P. "BUCK" MCKEON, R-CALIF. RANKING MEMBER

REP. ROSCOE G. BARTLETT, R-MD.

REP. WILLIAM M. "MAC" THORNBERRY, R-TEXAS

REP. WALTER B. JONES, R-N.C.

REP. TODD AKIN, R-MO.

REP. J. RANDY FORBES, R-VA.

REP. JEFF MILLER, R-FLA.

REP. JOE WILSON, R-S.C.

REP. FRANK A. LOBIONDO, R-N.J.

REP. ROB BISHOP, R-UTAH

REP. MICHAEL R. TURNER, R-OHIO

REP. JOHN KLINE, R-MINN.

REP. MIKE D. ROGERS, R-ALA.

REP. TRENT FRANKS, R-ARIZ.

REP. CATHY MCMORRIS RODGERS, R-WASH.

REP. K. MICHAEL CONAWAY, R-TEXAS

REP. DOUG LAMBORN, R-COLO

REP. ROB WITTMAN, R-VA.

REP. TOM ROONEY, R-FLA.

REP. MARY FALLIN, R-OKLA.

REP. MIKE COFFMAN, R-COLO.

REP. DUNCAN D. HUNTER, R-CALIF.

REP. JOHN FLEMING, R-LA.

REP. TODD R. PLATTS, R-PA.

REP. CHARLES DJOU, R-HAWAII

WITNESSES:

ELIZABETH MCGRATH, NOMINATED TO BE DEPUTY CHIEF MANAGEMENT OFFICER, DEPARTMENT OF DEFENSE

ROBERT WORK, UNDERSECRETARY OF THE NAVY

ERIN CONATON, UNDERSECRETARY OF THE AIR FORCE

Source: CQ Transcriptions

All materials herein are protected by United States copyright law and may not be reproduced, distributed, transmitted, displayed, published or broadcast without the prior written permission of CQ Transcriptions. You may not alter or remove any trademark, copyright or other notice from copies of the content.

© 2010 Congressional Quarterly Inc. All Rights Reserved.